

## External investor interest to boost startup sector — A-Labs

BOOSTING investment interest from foreign venture capitalists and accelerators is crucial for the expansion of the local startup ecosystem, startup accelerator Archipelago Labs (A-Labs) said.

“The hope is really that we could also roll up our sleeves, help support these startups, and hopefully generate investment interest coming outside the Philippines,” said Lance Uriel F. Pormarejo, executive director at A-Labs, in an interview with *BusinessWorld*.

“If we’re able to accommodate or support startups at the earliest stages, it gets easier as we progress their journey further in terms of exposure,” he added.

The Philippines slipped two places, now ranking 59<sup>th</sup> out of 100 countries in the 2023 edition of the Global Startup Ecosystem Index by the research center StartupBlink.

With a score of 2.469, the Philippines retained its position as the seventh-lowest scoring country among its peers in the Asia-Pacific region.

However, the investment landscape in the Philippines expanded to 201% of the 2020 deal value in 2022, up from 179% in 2021, according to a venture capital report by Foxmont Capital Partners. The Philippines’ share of venture capital funds within Southeast Asia grew to 9% in 2022, from 5% in 2021.

Venture capital firms remain the primary investment source for local startups, with at least 40 such firms operating in the country. Investments are particularly focused on mature digital sectors, such as fintech, media and entertainment, and e-commerce, according to the Asian Development Bank (ADB).

“Investors need to understand a sector before they feel comfortable. If they don’t know a sector, it’s considered higher-risk, and they are less likely to engage,” said Paul Vadenberg, ADB economist, on the group’s 2023 study about the local ecosystem for tech startups in a press statement.

Mr. Pormarejo said that the local startup ecosystem has grown since he entered the space nine years ago. “A lot of these startups already have a great baseline understanding of how to do business and scale, as well as how to really work together with stakeholders,” he said.

However, the ecosystem would benefit more from external investments supplementing accelerators in providing the necessary resources, guidance, and funding to aspiring entrepreneurs, Mr. Pormarejo noted.

“Founders should also consider addressing problems in a more global perspective, seeing use cases in and beyond the Philippines,” he said on attracting



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regional and global players to invest in Filipino startups.

A-Labs recently concluded its 12-week ALAB Incubation Program with a culmination day for its first cohort of five early-stage tech startups. They were selected from a pool of over 100 applicants and provided with the opportunity to secure funding of up to P1 million. Additionally, they were granted exclusive membership to A-Labs’ network of entrepreneurs and investors.

The first batch of startups included Synthillate, a fintech startup that converts intellectual properties into financial assets; Ridge, a plug-and-play artificial intelligence (AI) platform that empowers the food and beverage industry to leverage advanced analytics for operational efficiency, optimized menu and promotions, and maximized profits; Gamer Points, an ad tech integrated game platform that allows gamers to passively earn while playing video games; Nexhire, a community-driven talent marketplace that connects individuals with the surging demand for next-gen jobs; and Twine, an AI-powered decentralized social layer that allows its users to monetize their personalities and own their social circles.

A-Labs provided the first cohort with mentorship and expert advisory, open office sessions, and networking opportunities, it said in a press statement.

Applications for the ALAB Incubation Program’s second cohort has been opened with no definitive date to the program’s start.

A-Labs also plans to support startups outside the program through capital, advisories, and networking.

“I think it’s the best time to keep your eyes and ears out for promising startups, mostly because the next wave would more or less help address any key concerns,” Mr. Pormarejo said. — **Miguel Hanz L. Antivola**

# Customer behavior data driving innovation in lending — Home Credit

By Patricia B. Mirasol  
Reporter

IN A strategic move to meet the evolving financial needs of their customers, lending companies are increasingly turning to customer behavior analysis for developing innovative loan products, according to an industry player.

This approach has proven to be a game-changer, enabling lending companies to create loan solutions that resonate with their target markets, Sheila A. Paul, chief marketing officer at Home Credit Philippines, said in an interview with *BusinessWorld*.

“We pride ourselves on developing products that are not just financial tools, but actual solutions that align with our customers’ preferences and habits,” she noted.

She said that Home Credit’s virtual credit line called Qwarta “didn’t exist pre-pandemic, but was developed because it caters to people who prefer making digital payments without the need to visit any physical outlets.”

Qwarta can be used for purchasing groceries, settling bills, and online shopping, including on the e-commerce platform Lazada.

“Let’s say you... bought something worth P2,000-3,000, you can use Home Credit to be able to pay for that 30 days later from when you purchased it,” Ms. Paul said.

Home Credit, which has been present in the country for a decade, has served 9.3 million Filipinos nationwide as of 2022. Nearly half (48%) of its customers earn less than P20,000

per month; three-tenths are under 30 years old, according to the company.

The country’s growing population, along with the millions of new graduates that enter the workforce annually and consequently require access to financial services, contributes to what Ms. Paul described as “a lot of uphill growth for us.”

According to the Bangko Sentral ng Pilipinas’ Financial Inclusion Report for 2021, ownership of a formal account in the Philippines increased to 56% in 2021 from 29% in 2019. Meanwhile, the adoption of formal credit increased to 25% from 19% within the same period.

The company uses big data collected from credit bureaus, telco usage, and other sources to assess an individual’s creditworthiness. An identification card and a mobile number are prerequisites for a loan application.

For those who prefer in-store shopping and have never engaged in installment or credit transactions, Home Credit’s sales force of 8,000 professionals across 15,000 stores throughout the country guides them through the process, Ms. Paul said.

The majority of Home Credit’s user base consists of government employees, those in the private sector, and individuals who

receive remittances from overseas Filipino workers.

The gig economy, which includes freelancers, also presents opportunities for loan companies.

According to Payoneer’s 2022 report on the Philippines’ freelance market, as many as 1.5 million Filipinos participate in freelancing platforms, undertaking tasks such

as content creation and customer service for both local and foreign clients.

“Some of these people have buying power,” Ms. Paul said. “Since they don’t have tax returns and all that, they would not be accommodated by formal banks, but for sure we can give them a shot.”

### BEHAVIORAL TRENDS

Another innovation of Home Credit is *shoppingmall.ph*, a website that consolidates product listings from 14,000 stores where it maintains a presence.

The idea for the site stemmed from the realization that people visit malls to window-shop for specific items — products that often have varying prices and discounts depending on the store, Ms. Paul said.

“What we try to do is aggregate these discounts and promos, present them to the public, and say ‘You don’t have to go and hop malls anymore.’ It’s hard to do it anyway these days,” she said.

“Depending on where we see the customer behavior going, that’s where we want to be able to innovate,” she added.

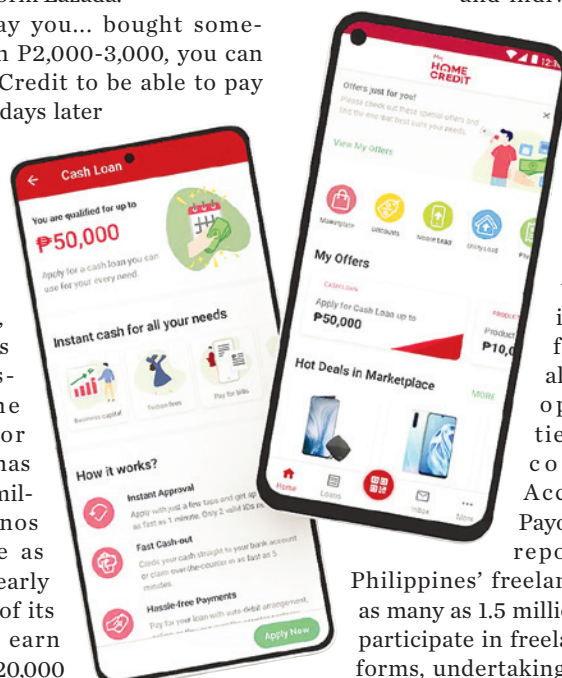
Home Credit, which used to mostly provide loans for electronics, now caters to loans that have also begun to resonate with its Filipino clients. These include installment plans for airplane tickets, optical products, wedding venues, and birthday parties.

“One thing that really took off for us was our sporting goods and e-bikes and bikes categories,” Ms. Paul said, noting how the trend was non-existent pre-pandemic. “Obviously, now everyone likes to bike and be healthy.”

With a non-paying loans rate of about 6-7%, Ms. Paul credits the company’s ability to be sustainable to its ability to predict and manage a person’s paying behavior.

Individuals tend to be more responsible when paying for loans on items they aspire to acquire, she said.

“You would be surprised that people are still aiming to buy their first refrigerator or washing machine. People value their first loan if it’s tied to something they’ve aspired to or dreamed of,” she added.



## DITO CME board clears issuance of common shares to Xterra Ventures, Summit Telco



DITO CME Holdings Corp. said on Tuesday that its board had approved the issuance of 2.2 billion shares to Xterra Ventures Pte. Ltd. and Summit Telco Corp. Pte. Ltd.

In a regulatory filing, DITO said its board had approved the issuance of 1.59 billion common shares

after it signed a subscription agreement with Summit Telco.

The transaction would increase DITO’s issued and outstanding shares to 15.63 billion from 14.04 billion.

Separately on Tuesday, DITO said its directors had executed a subscription agreement with

Xterra Ventures for 610 million common shares of DITO at P1 per share.

This transaction would increase its issued and outstanding shares to 16.24 billion from 15.63 billion previously, the company said.

In a regulatory filing last week, it said its board had approved the

issuance of 610 million common shares out of its unissued authorized capital stock priced at par value. Xterra Ventures is an unrelated third party.

Last week, DITO reported that it had completed the applicable requirements for the listing of 35 million shares for a total price consid-

eration of P280 million from Loden Infra Technologies Ltd. It added that the number of DITO’s listed common shares will be adjusted on the listing date or on Aug. 22, 2023.

At the local bourse on Tuesday, shares in the company fell by 13 centavos or 5.53% to end at P2.22 each. — **Ashley Erika O. Jose**

## Manila Water unit secures P1.6-B loan

A UNIT of Manila Water Co., Inc. has inked a P1.6 billion term-loan facility with the Bank of the Philippine Islands, the east zone water concessionaire said on Tuesday.

In a stock exchange disclosure, the company said the Laguna AAAWater Corp. or Laguna Water, a subsidiary of Manila Water Philippine Ventures, Inc. (MWPV), signed a 10-year term loan facility with the bank.

“The proceeds of the loan will be used to partially finance capital expenditures for the years 2022 to 2025,” the company said.

Laguna Water is a joint venture between the provincial government of Laguna and MWPV. It operates in the cities of Biñan, Santa Rosa, Cabuyao, and the municipality of Pagsanjan. It also supplies Alaminos, Calamba, San Pablo, Sta. Cruz, and Victoria.

Aside from Laguna Water, MWPV’s subsidiaries include Boracay Water, Clark Water, and Estate Water.

In the second quarter, Manila Water saw its attributable net income rise by 51.6% to P2.76 billion from P1.82 billion in the same quarter last year, based on its quarterly report.

Gross revenues during the period increased by 40% to P8 billion while expenses climbed by 12.1% to P3.91 billion.

At the local bourse on Tuesday, shares of Manila Water went up by 18 centavos or 0.96% to close at P18.88 apiece.

The water concessionaire serves the east zone network of Metro Manila, covering parts of Marikina, Pasig, Makati, Taguig, Pateros, Mandaluyong, San Juan, portions of Quezon City and Manila, and several towns in Rizal province. — **Sheldeen Joy Talavera**

## Metro Retail opens store in General Trias

METRO RETAIL Stores Group, Inc. opened a new neighborhood mini-mart in General Trias, Cavite on Tuesday, as the listed retailer expands its store network.

In a stock exchange disclosure on Tuesday, Metro Retail said the newly branded Metro Value Mart is located in Pearl Plaza, Lancaster New City.

The 1,000-square-meter store carries international and local goods, general merchandise, home care, health and beauty, and fresh and frozen products.

“The Metro Value Mart Lancaster is well positioned to give General Trias communities convenient access to complete basic and affordable goods and groceries. This mini-mart format was developed in response to consumers’ evolving preference to shop closer to home for their basic daily needs,” Metro Retail said.

“The Metro value mart is ready to serve with ample parking and easy public transport access for the residents in the 15 barangays near

Lancaster New City,” the company added.

According to Metro Retail, the new store marks its third store in Cavite and is its 62<sup>nd</sup> across the country.

“We are very pleased to have a new Metro store at this location which will provide quick and convenient shopping to the residents and visitors of General Trias, and to the rest of Cavite province,” Metro Retail President and Chief Operating Officer Manuel C. Alberto said. — **Revin Mikhael D. Ochave**

## Ilocos Norte government lauds Meralco’s assistance after Super Typhoon Egay onslaught



Ilocos Norte Governor Matthew Manotoc (in photo, middle) expressed his gratitude towards Manila Electric Company (Meralco) after the company deployed a 44-man contingent, including 32 engineers and linecrew, who conducted clearing operations, power restoration, and relief operations following the on-

slaught of Super Typhoon Egay (international name: Doksuri). “Ilocos Norte is very thankful for all the help and assistance you wholeheartedly extended to us. We salute everyone who joined the Bayanihan efforts to help us, Ilocanos, recover from this challenging time. Agyamankami,” Gov. Manotoc said.